

10.00am, Monday 1st February 2021

Period 9 Financial Statement 2020/21

1. Recommendations

The Board is recommended to note:

- 1.1 the projected outturn position for 2020/21;
- 1.2 the final outturn will be reported to the Board, when the Annual Accounts are reported to the Board in June 2021.

Hugh Dunn,

Treasurer

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Period 9 Financial Statement 2020/21

2. Executive Summary

- 2.1 The forecast is for net expenditure to be £141,000 less than the approved revenue budget of the Board, based on the position at 31st December 2020.

3. Background

- 3.1 The Board's Financial Regulations require presentation of quarterly expenditure monitoring statements. This report summarises the projected outturn at 31st March 2021, based on the position at 31st December 2020. The report has been prepared in consultation with the Interim Assessor and ERO.

4. Main Report

- 4.1 The table below compares projected expenditure for 2020/21 with the approved budget. Based on the position at 31st December 2020, the forecast is for net expenditure to be £141,000 less than budget. This reflects an underspend on employee costs due to longer recruitment lead times when vacant posts have occurred during 2020/21 and a change in timing of the Transformation Programme from the profile included in the budget.

	Core Budget			IER Budget			Total		
	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Expenditure									
Employee costs	5,157	4,968	(189)	1	1	0	5,158	4,969	(189)
Premises costs	540	540	0	0	0	0	540	540	0
Transport costs	76	76	0	0	0	0	76	76	0
Supplies & Services	750	750	0	108	108	0	858	858	0
Third Party Payments	320	320	0	0	0	0	320	320	0
Support Services	67	67	0	0	0	0	67	67	0
Gross Expenditure	6,910	6,721	(189)	109	109	0	7,019	6,830	(189)
Income									
Sales, Fees & Charges	(43)	(43)	0	0	0	0	(43)	(43)	0
IER Grant	0	0	0	(109)	(109)	0	(109)	(109)	0
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
Total income	(46)	(46)	0	(109)	(109)	0	(155)	(155)	0
Planned Unallocated Reserve Drawdown	(657)	(609)	48	0	0	0	(657)	(609)	48
Net Expenditure	6,207	6,066	(141)	0	0	0	6,207	6,066	(141)

- 4.2 The revenue budget approved by the Board on 3rd February 2020 included a phased implementation of the Board's Transformation Programme between 2020 to 2024.
- 4.3 The budget made provision for the costs and financial benefits from potential 2020/21 leavers through the Board's Transformation Programme. A planned release of staff in 2020/21 continues to be progressed by the Interim Assessor. One approved business case, anticipated to be implemented in 2020/21, was implemented in 2019/20, with costs met from the 2019/20 budget. The planned drawdown from the Board's unallocated reserve in 2020/21 is therefore reduced by £48,000.
- 4.4 The approved budget required the balance of inescapable employee cost pressures and severance costs to be met by a drawdown from the Board's unallocated reserve. Based on the current forecast, the required drawdown will be £0.609m.
- 4.5 Employees of the Board continue to work from home, in line with Scottish Government guidance. The move to home working required the Board to invest in additional ICT equipment and to provide support for lone working arrangements. Additional ICT costs are forecast to be contained within the approved budget.
- 4.6 The forecast also includes costs for office preparation, signage, hand sanitiser and a revised third-party office cleaning provision.
- 4.7 The Board has received 9,704 valuation appeals, as a consequence of the Coronavirus Pandemic. This represents an additional workload to the Board and reflects a national trend. The Scottish Government has extended the statutory disposal date to 31 December 2021, which will reduce the risk of additional costs being incurred to meet the original disposals deadline date.
- 4.8 The 2020/21 approved budget included £0.109m for delivery of Individual Electoral Registration (IER), with costs to be met from Cabinet Office grant carried forward from 2019/20. In 2020/21, the Cabinet Office has awarded the Board a grant of £53,834. Total funding for IER of £0.162m is therefore available for 2020/21. Any underspend on IER funding will be applied to meet IER costs in future years.
- 4.9 In February 2018 the Board approved a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition (£0.180m based on 2020/21 requisition). Balances held in excess of 3% require to be reviewed annually in-line with risk/identified commitments
- 4.10 The Board's general reserve balance is currently £0.897m. After providing for the Board's approved minimum general reserve of £0.180m, the current year's drawdown of £0.609m and forecast underspend of £0.141m, the Board's unallocated reserve is forecast to be £0.249m at 31st March 2021. An update on financial risks is included at Appendix 1.

5. Background reading/external references

- 5.1 [Period 6 Financial Statement 2020/21 – report to Lothian Valuation Joint Board
9th November 2020](#)

6. Appendices

- 6.1 Appendix 1 – Financial Risk Analysis

Appendix 1 – 2020/21 Financial Risk Analysis

Risk	Detail	Mitigation
Funding for Additional costs of Non-Domestic Rates Reform	The estimate provided to the Scottish Government was for additional cost of £0.360m for 2020/21.	Local Government Settlement funding passed to the Board.
Cost of Individual Electoral Registration (IER)	Following process change, the anticipated additional cost on Individual Electoral Registration (IER) will reduce from 2020/21. A risk remains that additional costs shall continue to be incurred following the formal introduction of the new annual canvass procedure and the removal of Cabinet Office grant funding.	The Cabinet Office awarded the Board grant of £53,834, with the possibility of a top up at year end, subject to justification.
Additional costs incurred to deliver services during Coronavirus Pandemic.	The Board continues to track all expenditure incurred during the COVID-19 Pandemic. The move to home working required investment in ICT equipment and to provide support for lone working arrangements.	Ongoing liaison with Scottish Assessor's Association (SAA) and Scottish Government.
Elections/Referendums – budget risk £0.050m	The possibility of either elections or referendums being called within short timetables, or dual electoral events occurring within a year is a financial risk for additional overtime or the use of short-term temporary staff to meet the demand placed on the electoral registration process.	Ongoing tracking of cost throughout 2020/21.
Elections/Referendums – increase in uptake of postal voting	There will possibly be a very significant increase in postal votes due to the ongoing COVID-19 Pandemic, with additional employee and ICT costs incurred.	The Scottish Government has committed funding to meet additional costs of preparing for an increased postal vote for the Scottish Parliamentary Election 2021.
Transformation Change	The cost of the Transformation Programme exceeding cost estimates.	Ongoing tracking of cost estimates.
Economic Changes	Annual values achieved within the non-domestic property sector may fall. Should the fall be significant, this may give rise to the right of appeal against rateable values. Receipt of large volumes of appeals would have a significant impact on staff resources.	The Scottish Government has extended the statutory disposal date to 31 December 2021.
Council Tax Reform	Any major legislative change to Council Tax that impacted on the Board is unlikely to be managed within current budgetary provision.	Ongoing liaison with Scottish Assessor's Association and Scottish Government.